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Report Highlights:

Pork production is expected to increase 4 percent in 2009, due in most part to large investments in swine production in 2007-08, higher reproductive yields and government measures to curb imports. The pig crop is expected to increase by 4.3 percent in 2009 and will equal 43.6 million pigs. Beef production is expected to decrease 3 percent in 2009 as poor cattle husbandry and generally negative profitability continues to spook potential investors into this field. In keeping with a long decline in the cattle sector, low productivity and reproductive inefficiency are expected to decrease cattle herds by 2 percent in 2009. Red meat imports reached 1.6 million MT in CY 2008 – up 12.3 percent by volume compared to 2007. The total value of these meat imports was \$4.86 billion in 2008 compared to \$3.4 billion a year earlier. Retail prices of meat and poultry increased in Russia by more than 23 percent in 2008 while the average growth of all food prices increased by nearly 18 percent.

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Data included in this report are not official USDA data. Official USDA data are available at <http://www.fas.usda.gov/psdonlineonline>.

Executive Summary

Pork production is expected to increase 4 percent in 2009, due in most part to large investments in swine production in 2007-08, higher reproductive yields and government measures to curb imports. This growth is directly related to investment credit subsidies as laid out by the National Priority Project in agriculture (NPP) as well as continued government imposition of import restricting policies. The pig crop is expected to increase by 4.3 percent in 2009 and will equal 43.6 million pigs. Beef production is expected to decrease 3 percent in 2009 as poor cattle husbandry and generally negative profitability continues to spook potential investors into this field. Production of beef in 2008 fell by 4 percent. In keeping with a long decline in the cattle sector, low productivity and reproductive inefficiency are expected to decrease cattle herds by 2 percent in 2009. The slower rate of decline in cattle numbers compared to previous years is explained by increasing investments into dairy and beef cattle breeding as part of the new livestock policies under the State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012 which encourages cattle production and attempt to

Red meat imports reached 1.6 million MT in CY 2008 – up 12.3 percent by volume compared to 2007. The total value of these meat imports was \$4.86 billion in 2008 compared to \$3.4 billion a year earlier. Retail prices of meat and poultry increased in Russia by more than 23 percent in 2008 while the average growth of all food prices increased by nearly 18 percent.

Russia and the United States have successfully negotiated health protocols for live cattle, live pigs, live horses and bovine embryos in 2008 and just recently completed negotiations for animal hides and skins and pet food. Veterinary certificates for beef and bovine semen have already been negotiated.

Overview

Private plots generate 45 percent of cattle, 40 percent of swine and 52 percent of sheep and goats in Russia. The Russian government approved a new program that will succeed the National Priority Project in agriculture (NPP) titled, "The State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012," that encourages pork and beef production and attempts to address Russia's declining cattle numbers. This program includes import-substitution policies designed to stimulate domestic livestock production and to protect local producers.

In 2008, the economic environment for swine production was generally favorable. Grain prices dropped significantly thanks to a high grain harvest, which allowed farmers to increase their pig herds. Pork producers have been expressing concern for years about sales after implementation of the NPP as pork consumption is growing at a slower rate than pork production. As a result, the pork sector has been lobbying the Russian government to regulate imports in spite of the meat TRQ agreement.

In 2008, more than 1.6 million MT of red meat was imported into Russia. A 13-year decline in beef production has resulted in limited beef availability in the Russian market leading to renewed spikes in prices. In response, the Russian government has been forced to take steps to increase the availability of beef by decreasing duties on imported products and is looking to Latin America for higher volumes. Feed stocks decreased slightly in 2008 compared to the previous year but are expected to increase in 2009 thanks to a record grain harvest.

The Russian pig crop is expected to increase by 4.3 percent in 2009, while cattle herds are predicted to decrease by 3.5 percent. Some meat market analysts predict that by 2012, as new and modernized pig farming complexes reach planned capacity, pork production could reach 3.5 MMT – up 75 percent from 2008 estimates.

According to the Russian Statistics Agency (Rosstat), approximately 1/3 of all Russian “large farms” are unprofitable. Many of these are involved in livestock production. Small, inefficient producers are uncompetitive and have already begun disappearing from the market.

The Russian veterinary service continues to play a decisive role in meat import supply management. Since June 2008, the Russian veterinary service has delisted over a hundred U.S. and EU pork and beef facilities ostensibly for not meeting all Russian veterinary requirements.

Production

Pork production is expected to increase 4 percent in 2009, due in most part to large investments in swine production in 2007-08, higher reproductive yields and government measures to curb imports. This growth is directly related to the distribution of credit subsidies as laid out by the National Priority Project in agriculture as well as government imposition of import restricting policies. Before the economic crisis, some meat market analysts predict that by 2012, as new and modernized pig farming complexes reach planned capacity, pork production in Russia would reach 3.5 MMT – up 75 percent from 2008 estimates. Currently, many of these “experts” admit that under the current economic conditions, it will be difficult to maintain even the current 4 percent forecast.

The pig crop is expected to increase by 4.3 percent in 2009 and will equal 43.6 million pigs. Under the now expired NPP, 114 new pork production facilities were built and are expected to raise domestic pork production (live weight) by 950,000 MT in 2009 (in comparison to 2005 numbers). Many of these new pork facilities feature foreign equipment and greater demand for imported pedigree hogs. The 2008 pig crop forecast was increased slightly since the previous forecast due to slightly better than expected reproductive yields. The forecast for pork production was also revised and increased by 1.5 percent. This represents a 6 percent increase overall in 2008 from normal slaughter weights and higher reproductive yields.

Beef production is expected to decrease 3 percent in 2009 as poor cattle husbandry and generally negative profitability continues to spook potential investors into this field. Production of beef in 2008 fell by 4 percent.

In keeping with a long decline in the cattle sector, low productivity and reproductive inefficiency are expected to decrease cattle herds by 2 percent in 2009. The slower rate of decline in cattle numbers compared to previous years is explained by increasing investments into dairy and beef cattle breeding as part of the new livestock policies under the State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012 which encourages cattle production and attempt to address Russia’s declining cattle numbers. Nevertheless, domestic cattle production is still cost prohibitive due to high production costs, high feed conversion ratio, and expensive input prices.

The average farmgate price for pork increased almost 20 percent compared to the previous year while the average farmgate price for cattle increased 8.5 percent. The largest price growth in the last decade occurred from 1999-2002. The farmgate price growth seen in 2006-2008 was not as dependent on world prices that fluctuated during that time span.

Table 1. Russia: Average Farmgate Prices, in Rubles/MT, Live Weight

	1998	1999	2002	2006	2007	2008	2008 as % of 2007
Cattle	4,933	11,729	26,017	39,235	41,762	45,641	8.5
Sheep and goats	3,675	8,672	19,858	30,356	33,647	37,571	9.5
Swine	8,769	16,247	33,117	51,821	49,051	60,988	19.5
Poultry	8,694	16,507	25,710	39,822	43,350	45,075	4
Milk	1,272	3,054	3,633	7,214	8,409	11,016	24
Eggs	445	858	978	1,651	1,974	2,471	20

Source: Rosstat

Table 2. Russia: Livestock Conversion Factors: Calculations of "Cow-Equivalent Units"

Type of Livestock	Conversion Factor
Adult cattle	1.0
Calves, more than 1 year old	0.50
Calves, less than 1 year old	0.12
Adult hogs	0.50
Piglets, more than 4 month old	0.25
Piglets, less than 4 month old	0.05
Adult sheep and goats	0.10
Lambs	0.06
Adult horses	1.10
Colts, more than 12 month old	0.80
Colts, less than 12 month old	0.25
Poultry	0.02

Source: Manual "Statistics". A.F. Grishina. 2003

Consumption

Per capita pork consumption is expected to decrease in 2009 due to new government measures aimed at limiting the amount of imported pork shipped to Russia. In late 2008, Russia announced an increase to out-of-quota pork imports that is expected to drastically cut imports outside of the country allocated TRQ. Per capita beef consumption in 2009 will be flat with imports helping to maintain supplies as domestic beef production continues to decline. If prices continue to grow at current rates, pork and beef consumption is expected to fall even further as consumers will switch to cheaper sources of protein such as poultry meat and eggs. Moscow city government officials recently announced that the "corrective actions" will be taken to combat rising meat prices and keep consumption levels from decreasing any lower. Details have not been released.

Production, Supply and Demand Tables

Table 3. Russia: Production, Supply and Demand of Live Cattle, in 1000 Head

Animal Numbers Cattle Russia	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Total Cattle Beg Stocks	19 000	18 695	19 000	18 370		18 370	17 800		17 900 (1000 HEAD)
Dairy Cows Beg Stocks	9 500	9 250	9 500	9 200		9 215	8 955		9 050 (1000 HEAD)
Beef Cows Beg Stocks	0	0	0	0		0	0		0 (1000 HEAD)
Production (Calf Crop)	7 310	7 110	7 310	7 100		7 100	6 970		6 970 (1000 HEAD)
Intra-EU Imports	0	0	0	0		0	0		0 (1000 HEAD)
Other Imports	75	60	75	60		50	60		40 (1000 HEAD)
Total Imports	75	60	75	60		50	60		40 (1000 HEAD)
Total Supply	26 385	25 865	26 385	25 530		25 520	24 830		24 910 (1000 HEAD)
Intra EU Exports	0	0	0	0		0	0		0 (1000 HEAD)
Other Exports	1	5	1	0		1	0		1 (1000 HEAD)
Total Exports	1	5	1	0		1	0		1 (1000 HEAD)
Cow Slaughter	1 450	1 440	1 450	1 400		1 300	1 370		1 280 (1000 HEAD)
Calf Slaughter	0	0	0	0		0	0		0 (1000 HEAD)
Other Slaughter	6 500	6 701	6 500	6 280		6 280	6 120		6 090 (1000 HEAD)
Total Slaughter	7 950	8 141	7 950	7 680		7 580	7 490		7 370 (1000 HEAD)
Loss	64	80	64	50		39	45		39 (1000 HEAD)
Ending Inventories	18 370	17 639	18 370	17 800		17 900	17 295		17 500 (1000 HEAD)
Total Distribution	26 385	25 865	26 385	25 530		25 520	24 830		24 910 (1000 HEAD)

Table 4. Russia: Production, Supply and Demand of Beef, and Veal, in 1000 MT

Meat, Beef and Veal Russia	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed in 1000 MT		New Post	Annual Data Displayed in 1000 MT		New Post	Annual Data Displayed in 1000 MT		Jan
			Data			Data			Data
Slaughter (Reference)	7 950	8 141	7 950	7 680		7 580	7 490		7 370
Beginning Stocks	0	0	0	0		0	0		0
Production	1 370	1 380	1 370	1 330		1 315	1 300		1 275
Intra-EU Imports	0	0	0	0		0	0		0
Other Imports	1 030	720	1 030	1 010		1 140	1 030		1 180
Total Imports	1 030	720	1 030	1 010		1 140	1 030		1 180
Total Supply	2 400	2 100	2 400	2 340		2 455	2 330		2 455
Intra EU Exports	0	0	0	0		0	0		0
Other Exports	8	5	8	12		11	12		12
Total Exports	8	5	8	12		11	12		12
Human Dom. Consumption	2 352	2 050	2 352	2 288		2 404	2 276		2 403
Other Use, Losses	40	45	40	40		40	42		40
Total Dom. Consumption	2 392	2 095	2 392	2 328		2 444	2 318		2 443
Ending Stocks	0	0	0	0		0	0		0
Total Distribution	2 400	2 100	2 400	2 340		2 455	2 330		2 455

Table 5. Russia: Production, Supply and Demand of Live Pigs, in 1000 Head

Animal Numbers, Swine Russia	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	Unit of Measure
			Data			Data			Data	
Total Beginning Stocks	17 180	17 610	17 180	18 187		18 187	19 520		19 562	(1000 HEAD)
Sow Beginning Stocks	3 750	3 800	3 750	3 975		4 050	4 240		4 220	(1000 HEAD)
Production (Pig Crop)	39 150	39 300	39 150	41 700		41 760	44 440		43 600	(1000 HEAD)
Intra-EU Imports	0	0	0	0		0	0		0	(1000 HEAD)
Other Imports	377	60	377	525		770	525		800	(1000 HEAD)
Total Imports	377	60	377	525		770	525		800	(1000 HEAD)
Total Supply	56 707	56 970	56 707	60 412		60 717	64 485		63 962	(1000 HEAD)
Intra EU Exports	0	0	0	0		0	0		0	(1000 HEAD)
Other Exports	1	1	1	0		1	0		1	(1000 HEAD)
Total Exports	1	1	1	0		1	0		1	(1000 HEAD)
Sow Slaughter	0	0	0	0		0	0		0	(1000 HEAD)
Other Slaughter	34 669	34 450	34 669	37 195		37 300	39 685		39 000	(1000 HEAD)
Total Slaughter	34 669	34 450	34 669	37 195		37 300	39 685		39 000	(1000 HEAD)
Loss	3 850	3 679	3 850	3 697		3 850	3 800		3 799	(1000 HEAD)
Ending Inventories	18 187	18 840	18 187	19 520		19 562	21 000		21 162	(1000 HEAD)
Total Distribution	56 707	56 970	56 707	60 412		60 713	64 485		63 962	(1000 HEAD)

Table 6. Russia: Production, Supply and Demand of Pork Meat, in 1000 MT

Meat, Swine Russia								
	2007			2008			2009	
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009	
	Annual Data Displayed in 1000 MT		New Post	Annual Data Displayed in 1000 MT		New Post	Annual Data Displayed in 1000 MT	Jan
			Data			Data		Data
Slaughter (Reference)	34 669	34 450	34 669	37 195		37 300	39 685	39 000
Beginning Stocks	0	0	0	0		0	0	0
Production	1 910	1 910	1 910	2 040		2 060	2 180	2 145
Intra-EU Imports	0	0	0	0		0	0	0
Other Imports	894	700	894	940		1 050	960	960
Total Imports	894	700	894	940		1 050	960	960
Total Supply	2 804	2 610	2 804	2 980		3 110	3 140	3 105
Intra EU Exports	0	0	0	0		0	0	0
Other Exports	1	1	1	1		1	1	1
Total Exports	1	1	1	1		1	1	1
Human Dom. Consumption	2 749	2 555	2 749	2 924		3 055	3 084	3 049
Other Use, Losses	54	54	54	55		54	55	55
Total Dom. Consumption	2 803	2 609	2 803	2 979		3 109	3 139	3 104
Ending Stocks	0	0	0	0		0	0	0
Total Distribution	2 804	2 610	2 804	2 980		3 110	3 140	3 105

Stocks

Stocks of meat are sufficient for retail trade but are beginning to get low for processing. Oversupply of beef took place in September 2008 after Russia lifted beef imports ban from Brazil. Wholesale prices for beef decreased 20 percent as a result but retail prices stayed at the same level.

Development of livestock production¹ in Russia has increased demand for protein feeds. Russia's imports of soybeans and soybean meal subsequently skyrocketed, thereby suggesting that demand for biotech feed products is also growing. Russia imported 215,259 MT of soybeans from July 2007 through March 2008, compared with only 2,333 MT in the same period of the preceding year.

¹ Please see GAIN RS7020 and GAIN RS5086 for more information.

Table 7. Russia: Feed Stocks as of January 1, 2009, in MMT Feed Units²

	CY 2007	CY 2008	CY 2009
Feed Availability	17.6	17.4	18.3
Including Feed Grain	5.8	5.8	6.8
Per 1 Cow-Equivalent Units	10.9	10.6	11.2

Source: Rosstat

There are no specific bans on importing biotech products.³ The Federal Veterinary and Phytosanitary Surveillance Service (VPSS) of the Ministry of Agriculture registers biotech feed-use crops. VPSS developed and adopted new registration procedures⁴ reportedly similar to an earlier protocol used in 2004. Registration for feed use still expires after five years.

Prices of feed and feed ingredients increased rapidly in the autumn of 2007 and through spring 2008. As a result, the Ministry of Agriculture issued on October 6, 2008, Order #437 titled, "Concerning Feed Subsidies for the State Support of the Major Agricultural Industries." Swine breeders will receive a compensation subsidy of 10 Rubles/kg of live weight for pigs produced and shipped for slaughter from January–June 2009.

Trade

Russian statistics indicate that red meat imports totaled more than 1.6 million MT in calendar year 2008. This figure increased 12.3 percent by volume compared to 2007, according to the Russian Customs Service. The total value of these meat imports reached \$4.86 billion in 2008 compared to \$3.40 billion a year earlier.

Russian frozen beef imports increased 10.99 percent in 2008 in relation to 2007 while imports of fresh beef dropped 7.4 percent. In calendar year 2008, beef imports totaled 810,730 MT – roughly 50 percent of which came from Brazil. Other significant suppliers of beef to Russia include Uruguay, Paraguay, Argentina and Australia. In 2008, the Russian veterinary service approved dozens of new beef facilities in South America for export to Russia and reopened imports from Brazil.

Russian pork imports increased 18 percent in 2008 in relation to the previous year. In calendar year 2008, fresh and frozen pork imports totaled 790,955 MT – roughly 31 percent of which came from Brazil. Other major suppliers of pork to Russia include the United States (20 percent), Canada (13 percent) and Denmark (8.7 percent). Approximately 70 percent of total pork imports were boneless pork, 15 percent carcasses, 9 percent bone-in cuts, 4 percent fresh cuts boneless and 2 percent fresh carcasses.

² Feed units are calculated in oat equivalence, where 1 feed unit = 1 kilo of oats.

³ Please see GAIN RS8056 for more information.

⁴ Please see GAIN RS7078 for more information.

Table 8. Russia: Meat Imports, CY 2006-2008, Quantity in MT

HS	Description	CY 2006	CY 2007	CY 2008	% Change CY 07 to CY 08
All Meat Products in MT		3,175,362	3,304,263	3,465,019	4.87
0202	Beef, Frozen	647,247	712,812	791,159	10.99
0203	Pork,Fresh Or Frozen	625,657	671,739	790,955	17.75
0207	Poultry Meat, Offals	1,274,196	1,287,349	1,217,587	-5.42
0206	Edible Animal Offal	296,247	307,163	321,352	4.62
0209	Pig And Poultry Fat	240,110	247,211	267,096	8.04
0201	Beef Fresh/Chilled	22,552	21,134	19,571	-7.39
0205	Horses, Asses, Mules	35,924	29,061	27,172	-6.5
0204	Sheep Or Goats	14,898	11,432	17,225	50.68
0208	Other Frz Or Fresh	16,513	13,896	9,987	-28.13
0210	Salted, Dried Etc	2,018	2,468	2,916	18.17

Source: World Trade Atlas

Table 9. Russia: Meat Imports, CY 2006-08, in Million USD

HS	Description	CY 2006	CY 2007	CY 2008	% Change 07/08
All Meat Products; Million USD		4,494	5,096	7,186	41.1
0202	Beef, Frozen	1,529	1,699	2,573	51.46
0203	Pork,Fresh Or Frozen	1,395	1,637	2,201	34.45
0207	Poultry Meat, Offals	922	1,052	1,339	27.35
0206	Edible Animal Offal	295	330	422	27.67
0209	Pig And Poultry Fat	168	196	412	110.71
0201	Beef Fresh/Chilled	65	71	88	24.47
0205	Horses, Asses, Mules	52	45	58	27.77
0204	Sheep Or Goats	28	25	55	120.76
0208	Other Frz Or Fresh	36	35	29	-18.72
0210	Salted, Dried Etc	4	7	10	40.47

Source: World Trade Atlas

Table 10. Russia: Frozen Beef Imports, HS 0202, CY 2006-08, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 08/07
	-- The World--	647,247	712,812	791,159	10.99
1	Brazil	259,805	455,581	403,851	-11.35
2	Uruguay	67,805	20,029	88,908	343.89
3	Paraguay	86,249	62,755	83,280	32.71
4	Argentina	151,388	112,385	69,366	-38.28
5	Australia	10,602	3,069	67,901	2 112.85
6	United States	0	0	18,567	0
7	Ukraine	2,303	33,233	16,712	-49.71
8	Germany	18,743	7,500	9,532	27.1
9	Italy	5,978	2,557	6,948	171.72
10	Poland	0	0	4,949	0

Source: World Trade Atlas

Table 11. Russia: Imports of Frozen & Fresh Pork Imports, HS 0203, CY 2006-08, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 08/07
	--The World--	625,657	671,739	790,955	17.75
1	Brazil	233,250	282,198	238,696	-15.42
2	United States	68,424	75,130	159,377	112.14
3	Canada	64,961	70,474	102,762	45.82
4	Denmark	107,105	92,476	68,949	-25.44
5	Germany	43,687	43,534	68,528	57.41
6	France	18,086	16,006	35,607	122.46
7	Spain	13,624	26,428	32,134	21.59
8	Netherlands	16,703	17,215	18,026	4.71
9	Finland	16,388	14,464	17,791	23
10	Belgium	14,335	14,654	14,428	-1.54

Source: World Trade Atlas

Table 12. Russia: Imports of Edible Animal Offals, HS 0206, CY 2006-08, in MT

HS	Description	CY 2006	CY 2007	CY 2008	% Change 07/08
	All Meat Products in MT	3,175,362	3,304,263	3,465,019	4.87
0206	Edible Animal Offals	296,247	307,163	321,352	4.62
020621	Frz Bovine Tongues	6,848	10,173	9,547	-6.16
020622	Frz Bovine Livers	45,933	55,978	66,563	18.91
020629	Frz Other Bovine	27,691	30,799	30,153	-2.1
020641	Frz Swine Liver	38,219	48,185	39,441	-18.15
020649	Frz Swine Other	175,324	159,678	174,134	9.05
020690	Frozen Other	2,232	2,331	1,475	-36.72

Source: World Trade Atlas

Table 13. Russia: Imports of Edible Animal Offals, HS 0206, CY 2006-08, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 07/08
	--The World--	296,247	307,163	321,352	4.62
1	Germany	52,033	49,885	69,387	39.09
2	United States	16,859	25,804	52,543	103.62
3	Argentina	25,592	30,988	27,193	-12.24
4	Spain	17,473	20,862	26,034	24.79
5	Australia	19,900	17,835	20,199	13.26
6	France	23,084	19,402	19,558	0.81
7	Belgium	13,783	17,948	17,176	-4.3
8	Denmark	47,610	36,057	16,678	-53.75
9	Netherlands	13,524	15,744	13,995	-11.11
10	Canada	17,041	13,730	12,342	-10.11

Source: World Trade Atlas

Table 14. Russia: Imports of Pig and Poultry Fat, HS 0209, CY 2006-08, in MT, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 07/08
0	-- The World--	240,110	247,211	267,096	8.04
1	Germany	63,914	70,243	93,928	33.72
2	Spain	40,242	41,709	51,528	23.54
3	France	27,034	26,062	26,364	1.16
4	Netherlands	12,533	18,089	21,817	20.61
5	Denmark	32,695	36,280	20,495	-43.51
6	Canada	22,689	16,646	16,718	0.43
7	Belgium	23,307	23,413	15,517	-33.72
8	Italy	57,11	4,658	7,554	62.19
9	United States	2,895	1,845	3,704	100.76
10	Austria	1,795	2,097	2,210	5.39

Source: World Trade Atlas

Table 15. Russia: Imports of Prepared Meats and Sausages, CY 2006-08, in MT

HS	Description	CY 2006	CY 2007	CY 2008	% Change 08/07
16	Prepared Meat, Fish, Etc	114,692	118,353	126,890	7.21
1602	Meat, Offals, Blood, Other	26,727	31,834	35,275	10.81
1601	Sausage, Similar Product Meat	12,960	10,603	10,639	0.33

Source: World Trade Atlas

Table 16. Russia: Imports of Live Pigs, CY 2006-08, Total Number, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 08/07
0	-- The World--	382,232	376,661	770,454	104.55
1	Lithuania	44,198	161,027	351,998	118.6
2	Germany	0	45,666	180,868	296.07
3	Estonia	61,347	47,302	61,365	29.73
4	Poland	211,595	26,885	47,812	77.84
5	Denmark	27,159	20,600	35,318	71.45
6	Latvia	608	2,757	31,597	1,046.06
7	Hungary	2,518	17,637	26,536	50.46
8	Czech Republic	171	8,186	16,511	101.7
9	Ireland	847	16,007	8,292	-48.2
10	France	2,070	10,341	3,897	-62.32

Source: World Trade Atlas

Table 17. Russia: Import of Live Pigs, CY 2006-08, in Million USD, by Countries

Rank	Country	CY 2006	CY 2007	CY 2008	% Change 08/07
0	--The World--	74.22	102.63	171.19	66.8
1	Lithuania	8.22	27.66	64.64	133.73
2	Germany	0	6.86	30.82	349.37
3	Denmark	8.69	5.85	15.37	162.83
4	Estonia	9.77	8.41	13.96	65.92
5	Poland	32	12.24	12.64	3.21
6	Ireland	0.55	9.09	6.88	-24.28
7	Latvia	0.10	0.44	6.87	1,453.22
8	Hungary	2.02	3.79	6.84	80.21
9	France	2.44	9.58	4.33	-54.79
10	Canada	2.39	10.85	3.76	-65.3

Source: World Trade Atlas

Food Prices Are Skyrocketing

The Russian Statistics Agency (Rosstat) announced that the annual inflation rate hit 13.3 percent in 2008 (11.9 percent in 2007) with growth in food prices as a primary contributor. This was the highest annual inflation growth rate since 2002 when consumer prices increased 15.1 percent. Retail prices of meat and poultry increased in Russia by more than 23 percent in 2008 while the average growth of all food prices increased by nearly 18 percent. In January 2009 alone, food prices jumped 2 percent leading many Russian government officials to publically admit that rising food prices could threaten stability in the country. According to some recent forecasts by Rosstat officials, prices for imported food products and components from which food products are produced in Russia could grow by up to 20 percent in 2009. Prominent Russian government officials have called for steps to be taken that would "destroy the monopoly that exists in Russian retail and food processing sectors; stimulate domestic food production; and find alternatives trading partners that could supply cheaper foods as quickly as possible."

Representatives of grocery store chains stated in an industry meeting held in early February 2009 that retail food prices could grow as much as 25-45 percent by the end of 2009. According the retail sector members, the causes for price growth include the devaluation of the ruble, the large number of intermediaries in the production chain, and measures taken by numerous regions within Russia that prevent product from other regions to enter their markets. Another significant cause of higher meat prices is linked to the Russian Customs Service's new list of minimum declaration prices for custom clearance. The list was prepared last summer when actual prices were high. Since then prices have significantly decreased in exporting countries but importers are not permitted to declare actual lower prices through Customs.

Rosstat figures demonstrate that disposable income grew just 2.7 percent in 2008, after jumping 12.1 percent in 2007. Poultry and meat price growth in 2008 were the most significant when compared to 2007 figures.

Increasing beef and pork prices will likely lead many Russian consumers to substitute these items for other forms of protein such as poultry and eggs assuming prices don't increase much higher than current prices. Demand for pork meat has been dropping steadily over the last few months and is significantly lower than for poultry meat. Some importers have switched from purchasing expensive pork cuts to lower-priced pork

meat/offals which are growing more and more popular these days with Russian consumers. With rising demand for poultry in 2009, prices are expected to increase for this commodity both domestic and imported. At the same time real income grew only by 2.7 percent in 2008, which is expected to lower overall consumption of meat and poultry in 2009.

Ministry of Agriculture officials believes that high prices will improve compatibility and profitability of domestic meat and poultry producers. It previously accused imported meat of driving down farm gate pork prices, and expressed the need for serious measures to limit meat imports. A major cause of concern was the potential for weakening pork and poultry prices to harm the ability of new producers financed under the National Priority Project for agriculture to repay their loans.

Policy

Russia's chief negotiator for World Trade Organization accession, Maksim Medvedkov, remains optimistic that Russia may complete talks on joining the World Trade Organization (WTO) by the end of 2009. Medvedkov also stated in a recent press conference that he believes that progress is being made in talks on Russia's accession. To date, Russia has signed WTO protocols with all WTO members that wished to hold bilateral talks excluding Georgia. In addition to bilateral talks, Russia has yet to complete multilateral WTO negotiations although much progress has been made during the last year. The next round of multilateral discussions will take place in Geneva in March 2009.

Tariff-rate quotas on beef, pork and poultry meat imports for 2009 were modified after Russian officials held consultations with major trading partners in late 2008. The Russian government issued Resolution #918 in December 2008 on temporary import duties for certain varieties of beef and pork. Duties were sharply increased on imports of pork and poultry meat that exceed the tariff rate quotas in 2009, but lowered the duty on over quota beef imports. The over quota duty on chilled and frozen beef was lowered on January 1 to 30 percent but not less than 0.30 Euros per kilogram, pork imports exceeding the quota increased from 40 percent but not less than 0.55 Euros per kilogram to 75 percent but not less than 1.5 Euros per kilogram. The duty on poultry imports exceeding the quota increased to 95 percent but not less than 0.8 Euros per kilogram from the previous rate of 40% but not less than 0.32 Euros per kilogram. Meat market analysts are worried that the new measures may result in higher domestic prices for pork and poultry products.

Pork and poultry import TRQ volumes were also changed. The quota amount for pork imports increased to 531,900 MT from 502,200 MT by including trimmings (29,700 MT) in the quota which were listed in a different category in 2008. The share of U.S. pork quota allocation for 2009 increased to 100,000 MT from 50,700 tons. Negotiations will be conducted with major trading partners to decide what mechanism will be established for meat imports after 2009. Russian officials have not ruled out extending the current tariff-rate quota system, but its future after 2009 still remains uncertain. Representatives of the Ministry of Economic Development (MED) have stated in the past that Russia may change its policy on meat imports after it joins the WTO. In 2010, Russia has the option of switching from quotas to tariffs, which would effectively increase the level of protection in the domestic meat market. Commenting on proposals to eliminate the country allocation principle for distributing meat quotas, an MED representative said that this mechanism fully complies with WTO rules. He also added that this may be source of friction at future negotiations.

State subsidies for agricultural production totaled 79.6 billion Rubles (\$2.22 billion) in 2008. 82 new hog operations received subsidized credit in 2008 while 80 existing hog facilities used

credits to renovate their operations. This increased production by 244,000 MT of hogs. First Deputy Prime Minister Viktor Zubkov recently announced that hundreds of meat and livestock projects that started in 2008 would be completed as planned and that projects calling for construction of new livestock farms are currently under consideration. Growth in domestic meat production in the last three years outpaced growth in imports two to one, he added. Zubkov stated in January 2009 that implementation of livestock programs should be closely monitored by Russian government officials given the situation of the financial markets. "Progress in implementing new and existing investment projects to build poultry and hog plants must be kept under permanent control by the Russian government. Special attention should be paid to beef cattle breeding: its genetics should be improved, share of cattle in total beef production should be increased, and appropriate feeding should be organized." Detailed discussions of the effectiveness of State support and subsidized credit as well as issues regarding meat processing, retail trade and customs will be considered at an expanded meeting of regional leaders, sector associations and meat producers and processors in March 2009.

Conference on Meat Imports Held to Discuss Meat Imports After 2009

A conference titled, "Regime of Meat Imports Regulation for 2010 and Following Years," took place in late January 2009 and was headed by Minister of Agriculture Aleksey Gordeyev. Participants included representatives of the Russian Meat Union, the Union of Meat Suppliers, the Russian Poultry Union, the National Meat Association, the Russian Union of Pork Producers, the Russian Union of Industrialists and Entrepreneurs and the Association of the Russian Poultry Market Operators joined the discussion on developing a new policy on meat and poultry imports after 2009. Gordeyev noted the necessity for "maintaining the current quota regime" which helps investors and market players better forecast the situation with more precision. At the same time Gordeyev believes that planning a TRQ distribution system should include all meat varieties and their volumes and should not be longer than a three-year period (2010-2012). "We need to establish such proportion of domestic and imported meat products that would enable us to resolve the issues of Russia's food security with consideration of changing global economic situations and influences of the world financial crisis," Gordeyev underlined. According to the Minister, the "first fiddle" in ensuring such balance exists in Russia's meat market "should be played by the business community which should share not only the high level of professionalism but also responsibility for proposed measures with us."

Hygienic Requirements for Food Additives Amended and Changed

Russia approved amendments and changes to hygienic requirements for food additives.⁵ The new requirements are stipulated in SanPiN 2.3.2.2364-08 Amendments and Changes #1 to the Sanitary and Epidemiological Regulations SanPin 2.3.2.1293-03 Hygienic Requirements for Use of Food Additives. The original requirements were registered at the Ministry of Justice of Russia in 2003. The new hygienic requirements for food additives became effective on August 1, 2008.

⁵ Please see GAIN RS8053 for more information.

Other Relevant Reports

RS9008 Economic Crisis Update

<http://www.fas.usda.gov/gainfiles/200902/146327327.pdf>

RS9001 New Procedures for Customs Clearance at Ports

<http://www.fas.usda.gov/gainfiles/200901/146327088.pdf>

RS8096 Poultry and Meat Duties and Volumes Changed for 2009

<http://www.fas.usda.gov/gainfiles/200902/146327314.doc>

RS8095 Russia Changes Legislation and Structure of Animal Improvement Industry

<http://www.fas.usda.gov/gainfiles/200812/146306807.pdf>

RS8089 Russia: Doctrine of Food Security

<http://www.fas.usda.gov/gainfiles/200811/146306496.pdf>

RS8087 Meat and Poultry TRQ Announced for 2009

<http://www.fas.usda.gov/gainfiles/200811/146306457.doc>

RS8056 Biotechnology Annual

<http://www.fas.usda.gov/gainfiles/200807/146295243.doc>

RS8053 Amendments and Additions to SanPiN on Food Additives

<http://www.fas.usda.gov/gainfiles/200807/146295135.doc>

RS8027 Russia Distributed All of Beef and Pork TRQ

<http://www.fas.usda.gov/gainfiles/200804/146294276.doc>

RS8014 Livestock Semi-Annual

<http://www.fas.usda.gov/gainfiles/200803/146293870.pdf>

RS7093 25 Percent of 2008 Meat and Poultry Tariff Rate Quota Distributed

<http://www.fas.usda.gov/gainfiles/200712/146293295.doc>

RS7078 Registration Procedure for GMO Feeds

<http://www.fas.usda.gov/gainfiles/200711/146292888.doc>

RS7067 Livestock and Products Annual

<http://www.fas.usda.gov/gainfiles/200710/146292718.doc>

RS7020 Progress of the National Priority Project in Agriculture

<http://www.fas.usda.gov/gainfiles/200702/146280251.doc>